

Testimony to the U.S. House of Representatives
Committee on Agriculture Subcommittee on Livestock and Horticulture

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I would like to thank you for the opportunity to comment on federal farm policy as we look towards the development of the 2007 Farm Bill. My name is Billy Thiel and I raise corn, soybeans and cattle on a farm near Marshall, Mo in partnership with my family. We are investors in Mid-Missouri Energy, a farmer-owned ethanol plant in Malta Bend, Mo. I also have the opportunity to serve as a member of the board of Directors of the Missouri Corn Growers Association and Missouri Corn Merchandising Council.

Rural America is undergoing a time of tremendous change and progress fueled by the development of the renewable fuels industry. The impact of farmer-owned, homegrown fuel production is bringing opportunity back to our rural economies. The role of America's farmers is changing, growing to encompass providing food, fiber and fuel for our country. This dynamic growth is changing the way that many of us look at federal farm policy.

Our family, as well as most farmers that I talk with, are generally satisfied with the programs and safety net provided by the 2002 Farm Security and Rural Investment Act. The farm bill established policy that enables American farmers to be globally competitive and responsive to market signals while environmentally responsible. The programs provide producers access to global markets, access to capital, advances in technology and risk management.

The eventual outcome of the Doha Round of WTO negotiations is a critical component to future farm policy. As important as additional market access is, we must make sure that the farm safety net remains in place for American farmers. Our negotiators have shown that the U.S. will not unilaterally disarm our farm support programs and jeopardize our country and our farmers. American producers will be best served by an extension of the commodity title of the 2002 Farm Bill until a WTO agreement is reached. It is nearly impossible to formulate comprehensive new policy with unknown farm subsidy and trade variables.

If a WTO agreement is reached, and a green box compliant revenue program is necessary, protection must be provided at the farm level using production history unique to each grower. Farm level coverage and farm level triggers are paramount as there is too much production variability within counties. With a farm level trigger, when a farm is off its average production, producers are covered and no one is left out.

I am sure that the members of this committee realize the value of foreign market access programs. While working through such programs and the WTO process we must ensure that the domestic transportation system of rivers, rails and roads that gives the U.S. our competitive advantage isn't neglected. Grain belt agriculture relies on efficient, low cost transportation provided by the river systems. The Missouri River should be managed for *transportation and flood control* and the Mississippi River system needs the money necessary to upgrade its

outdated and decaying locks and dams. Expanded WTO concessions, coupled with a shaky commitment to improving our own competitive advantage, are a recipe for disaster.

While the general satisfaction level with the current bill seems high, the 2002 bill is not perfect. While the Farm Bill's direct and counter-cyclical payments have served to provide a safety net when market forces and production factors have combined to depress yields and commodity prices. However, years with large crops and low prices allow raiding of the marketing loan program while growers in short crop areas are largely left out of the safety net. Since loan deficiency payments are based on current year production, revenue suffers from reduced production as well as lower farm program benefits.

As significant as the WTO is, it is not nearly as important as an energy title in the 2007 Farm Bill. The demand for corn created by the ethanol industry will influence prices more substantially than will increased exports resulting from a WTO agreement. More can be done to cultivate domestic markets rather than dealing with all too fickle foreign markets which may or may not materialize with a WTO agreement.

The growth of renewable fuels has been a blessing for rural America. Our rural economy is providing more opportunity for U.S. farmers through self-reliant energy development. The expansion of the farmer-owned ethanol industry can be considered one of the brightest spots in rural economies today. This success can be attributed the entrepreneurship of American farmers as well as the assistance of targeted research and business development investments. Programs such as the CCC Bioenergy program have been instrumental in kick-starting the renewable fuel industry and funding should be continued to sustain the momentum of the ethanol industry.

The federal Renewable Fuel Standard (RFS) was a monumental accomplishment which provides a baseline for renewable fuel usage nationwide. Congress should be open to a wise and prudent increase of the standard as needed to help move the renewable fuels industry out of its infancy and into maturity. As our farmers move closer to providing the energy needs of our nation through ethanol and biodiesel production, an expansion of the RFS will ensure that our homegrown products have a position in the marketplace.

The livestock industry is a vital component of our American agriculture system that does not always receive adequate attention in discussions of federal farm policy. It is also a segment of agriculture that is coming under increasing criticism from radical groups. Government policies must ensure a vibrant and growing livestock industry in our country. As our ethanol industry continues to grow, so does the need for domestic animal production. Without livestock to consume the abundant quantities of distillers dried grains and other byproducts, biorefineries will be seriously hindered. Animal agriculture and renewable fuels go hand-in-hand and we must develop sound, science-based policies that support current and future growth.

The market development programs included in the Farm Bill have been a tremendous success which has provided a substantial return on investment. The USDA Value-Added Producer Grant Program has encouraged the development of farmer-owned ventures and would provide an effective model for future programs. Additional programs should be developed and

implemented to encourage farmer ownership of our ethanol and other value-added industries. Without farmer ownership, ethanol plants become simply another market looking for the lowest cost corn inputs and lose much of their value to rural areas.

The federal crop insurance program can be improved with modifications to the program that would offer better protection to our farmers without substantial cost increases.

- More uniform crop coverage should be offered to producers as many high risk designations all too often exclude growers that would otherwise participate in crop insurance. A subject close to the hearts of Missouri farmers is coverage for losses caused by the man-made spring rise on the Missouri River. Farmers in the Missouri River valley are being put into an impossible position. The inflexibility of the U.S. Fish and Wildlife Service, U.S. Army Corp of Engineers, and USDA through this whole process has been monumental. Although we have made it through one spring rise without substantial harm, do not assume that government imposed flooding and crop damage will not happen.
- Crop insurance is invaluable to producers in years of devastating crop losses. Producers cannot control the dual risks of weather and price. However, adequate revenue-based risk management tools can help producers avoid the effects of low yields and low prices. The subsidy structure of the federal crop insurance program should encourage producers to insure adequate revenue to avoid devastating losses but must not artificially stimulate production. In addition, a supplemental policy should be developed that would provide better protection against multi-year crop losses and significant, but shallow repetitive crop losses.

Generally speaking, the Conservation Title of the current farm bill effectively meets its goal of keeping the most sensitive land out of production. We seek to maintain current and future funding levels at their maximum level. However, direct payments in the commodity title of the bill should not be sacrificed by replacing them with increased conservation funding. Current conservation programs are critical tools in dealing with the environmental issues that agriculture will face in the future.

The 2007 Farm Bill should reinforce the original commitment of the Conservation Reserve Program (CRP) to soil conservation rather than wildlife habitat. With that focus in mind, we should continue to enroll and give deference to taking the most environmentally fragile acres out of production. If soil conservation is the primary focus of the program, allowing farmers to periodically mow CRP acres makes more sense than requiring tillage of those acres.

We need to collectively evaluate the future of the vast resources of the nearly 40 million acres held in CRP. Do we have a long term plan for this resource? Where are we going? Will this be maintained as a land bank? Will it be returned to production? Can those less fragile acres be developed as a cellulosic ethanol reserve bank?

The Conservation Security Program (CSP) provides attractive incentives for producers which make participation worthwhile and offers opportunities to create win-win scenarios for wildlife

and crop farming. However, its limited geographic scope leaves most producers out of the program. This program does offer.

Again, I believe that 2002 Farm Bill is, for the most part, meeting the needs of American agriculture by acting as an effective safety for our food, fiber and fuel producers. It is an honor to have the chance to share my thoughts on such an important topic with you today. Thank you for coming to Missouri to gather farmer input on the future of the Farm Bill. The Farm Bill provides valuable tools which ensure the continued growth and success of America's agriculture industry. I appreciate your time and attention.